



Thomas
Jefferson
University

Debt Management

Newsletter

Volume 15 Winter/Spring 2005

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This newsletter is published by the University Office of Financial Aid at Thomas Jefferson University for the House Staff of the Jefferson Health System and selected affiliates. The purpose of this publication is to offer information about educational loan repayment, debt management and other related financial matters.

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Financial Planning Seminar Series

For the 21st consecutive year, the University Office of Student Financial Aid is sponsoring a seminar series entitled "Building a Financial Plan for School and the Future." The schedule for the 2005 series is as follows:

First Session: February 15, 2005

**Connelly Conference Center, Room 101 Bluemle
*Managing Educational Debt***

Susan Batchelor, University Director of Financial Aid

Second Session: March 14, 2005

**Connelly Conference Center, Room 101 Bluemle
*What You Should Know about Insurance***

Richard Scott, CLU, Insurance Planning Group, Inc.

Third Session: April 11, 2005

**Connelly Conference Center, Room 101 Bluemle
*What Everyone Should Know About
Personal and Professional Financial Planning***

Stephen Cordasco, Senior Vice President, Financial Consultant for RBC Dain Rauscher

Practical and Legal Considerations of Planning Your Professional Future

Joseph R. Pozzuolo, Esq.,

Law Offices of Pozzuolo & Perkiss

Refreshments are served at each seminar at **6:45 p.m.**, and **each session begins promptly at 7:15 p.m.** in the Bluemle Life Sciences Building, northeast corner of 10th and Locust Streets, Center City, Philadelphia.

Registration material for the first session was mailed to all residents and fellows during the third week of January. We ask that you register early to assist in ordering refreshments and ensure that sufficient handouts will be available. Registration material for the second and third session will be mailed during February and March. Please contact the University Office of Financial Aid if you have any questions regarding this seminar series.

Federal Consolidation

What You Need to Know

What is federal consolidation?

Federal Consolidation is the program under which you may combine all of your federal student loan debt into a single refinanced loan. Consolidation is extremely helpful if the borrower has many federal loans with different lenders. However, consolidation still provides positive benefits, even if all of your federal debt is with only one lender.

What loans can I include in the consolidation package?

- Federal Stafford Loan (subsidized and unsubsidized)
- Federal Direct Loan (subsidized and unsubsidized)
- Federal Perkins Loan
- Health Professions Student Loan (HPSL)
- Nursing Student Loan (NSL)
- Federal Insured Student Loan (FISL)
- Auxiliary Loan to Assist Students (ALAS)
- Federal Supplemental Loan for Students (SLS)
- National Direct Student Loan (NDSL)
- Health Education Assistance Loan (HEAL)
- Federal Parent Loans for Undergraduate Students (PLUS)
- Loans for Disadvantaged Students (LDS)

Can I include private and personal loans?

No, federal consolidation is restricted to federal educational debt only. This means you cannot include any credit card or other consumer debt or even any private educational loans (e.g., Alternative Loans or student loans awarded from private agencies or your prior educational institutions) in the consolidation package.

What will the interest rate be on my consolidated loan?

The interest rate on consolidated loans is calculated as the weighted average of all loans included in the consolidation package rounded up to the nearest one-eighth of one percent.

The formula for Federal Stafford Loans and related Federal Consolidation Loans 'disbursed' after July 1, 1998 is based on the 91-day T-Bill plus 1.7% while in school, grace or deferment and 2.3% while in repayment or forbearance. A similar formula exists for loans disbursed between July 1, 1995 and June 30, 1998 with the corresponding rates of T-Bill plus 2.5% while in school, grace or deferment and T-Bill plus 3.1% while in repayment or forbearance.

Applicable Federal Stafford/Federal Consolidation Loan rates for the period July 1, 2004 to June 30, 2005 are as follows:

Federal Stafford Loan Disbursement Dates	In-School, Grace and Deferment Rate	Forbearance and Active Repayment Rate
7/1/1998-6/30/2004	2.77%	3.37%
7/1/1995-6/30/1998	3.57%	4.17%
7/1/1995-6/30/1998	4.17%	4.17%

Should I consolidate before my grace period runs out?

As is noted above, the rate on Federal Stafford loans increases when the borrower moves from grace or deferment into repayment or forbearance. Therefore, to ensure that you are securing the lowest possible rate, you should consolidate before your grace period is over. However, you do not want to consolidate too early in the grace period because you will forego the remaining months of eligibility.

As a point of reference, you should initiate the consolidation process at the beginning of the fourth month of your Federal Stafford Loan grace period. Additionally, confirm with the consolidating lender that once the process has begun, your rate will remain at the grace period level even if the consolidation has not been finalized.

Can I still apply for deferment if I consolidate?

Yes, as long as you continue to meet the deferment privilege criteria, you will be eligible to defer your loans. Consolidation, in and of itself, does not negate deferment eligibility. If however, based on the consolidation, your federal debt to income ratio is below the minimum threshold, then you may no longer qualify for the economic hardship deferment privilege.

It is recommended that when you contact your lender to initiate the consolidation process, you ask that it be confirmed as to whether you will continue to be eligible for economic hardship deferment after your loans have been consolidated.

How do I choose a consolidation lender?

If all of the Stafford loans that you will include in the consolidation package are with one lender, then you must consolidate with that lender.

If you are including loans from different Stafford Loan lenders, then you have the option of 'shopping around'. In 'shopping around' you should select a lender that has a proven track record of providing good customer service.

Do lenders offer any other reduced payment options?

At one point, many lenders were offering payment reductions based on a set number of 'on time payments'. However, in many cases this option was discontinued when rates decreased to this historically low level. Some lenders still offer quarter of a point reduction if you authorize the payment to be automatically debited from your checking account. It is always wise to ask lenders if they offer either, both or any other payment incentives.

What are my repayment options?

The repayment options are:

- Standard 10 year Repayment Schedule
- Extended 15 to 30 year Repayment Schedule
- Graduated, under which you may extend repayment to 15, 20, 25, or 30 years. Payments are lower in the first couple of years and increase at designated points in the repayment period.

Is it true that this is the 'best time' to consolidate?

As noted above, the Federal Stafford and Federal Consolidation rates are at an all time low and that is why many borrowers are choosing to consolidate now. In addition, there have been proposals to make new consolidated loan parameters to include a variable rate.

Will rates continue to decrease?

No. All indicators confirm that the interest rates on Stafford Loans will increase to a percentage between 3.5% and 4.5%.

When will the July 1, 2005 rate(s) be published?

The July 1 rates are typically made public in late May.

Can I reconsolidate if the rate decreases?

You can, but it may not make a difference. Once you consolidate, your interest rate is fixed. If you leave out one federal loan, you will have the option of 'reconsolidating'. However, depending on the loan you originally excluded, the reconsolidation may not make your interest rate any lower, but may in fact make it higher.

What do I do if I have additional questions or need assistance in getting started?

Contact Thomas Jefferson University Office of Financial Aid at 215-955-2867 or at financial.aid@jefferson.edu.

Pennsylvania Primary Care Loan Repayment Program

The Pennsylvania Loan Repayment Program is intended for primary health care professionals, which includes physicians in Family Medicine, General Internal Medicine, General Pediatrics, and Obstetrics, who will commit to practicing in a designated shortage area in the state of Pennsylvania for not less than three years.

To be eligible, a practitioner must be a U.S. citizen, a graduate of an accredited educational program, be eligible for licensure in Pennsylvania, and have completed an approved residency in primary care. Practitioners who have unserved obligations from other federal, state, or local loan repayment programs, or who are in default of any loan obligation are not eligible to apply.

Under the terms of the Pennsylvania Loan Repayment Program, government or commercial loans for actual costs paid for tuition, reasonable educational expenses, and reasonable living expenses may be considered for repayment. Loans are repaid directly to the lending institutions.

Loan repayment is based on the length of time in practice in the shortage area, and is awarded based on the following schedule: first year-15% of loan principal, up to \$9,600; second year-20%, up to \$12,800; third year-30%, up to \$19,200; and fourth year-35%, up to \$22,400, with the aggregate maximum established at \$64,000.

The Loan Repayment recipient must maintain a full-time non-profit or private primary care practice in a Health Professional Shortage Area. Eligible sites include federally funded community or migrant health care centers, nonprofit hospital primary care systems, or other nonprofit systems which provide a full range of primary care services. A private practice repayment option is also available.

Further information and application material may be obtained by contacting:

Fred Bowlan, Program Administrator
Pennsylvania Loan Repayment Program
Division of Health Professions Development
Bureau of Health Planning
Pennsylvania Department of Health
Room 1033, Health and Welfare Building
P.O. Box 90
Harrisburg, PA 17108
Phone: (717) 772-5298
FAX: (717) 705-6525
Email: fbowlan@state.pa.us

Deductability of Student Loan Interest

The Tax Acts (TRA) of 1997 and 2001 include a number of “Educational Incentives,” such as a “deductibility of student loan interest” provision. The chart below outlines the benefits that were available and how this policy changed as of January 1, 2002.

Effective with 1998 Tax Return Interest must be paid; loan must be in repayment status	Effective January 1, 2002 Voluntary interest payments may be included
<p>Maximum Deductions as Follows</p> <ul style="list-style-type: none"> • \$1,000 for 1998 • \$1,500 for 1999 • \$2,000 for 2000 • \$2,500 for 2001 and beyond 	<p>Maximum Deductions as Follows</p> <ul style="list-style-type: none"> • \$1,000 for 1998 • \$1,500 for 1999 • \$2,000 for 2000 • \$2,500 for 2001 and beyond
<p>Phase-out Based on Modified AGI</p> <p><u>Full Deduction</u></p> <ul style="list-style-type: none"> • Max income \$40,000 single filers • Max income \$60,000 married filers <p><u>Partial Deduction</u></p> <ul style="list-style-type: none"> • Income \$40,001-\$55,000 single filers • Income \$60,001-\$75,000 married filers <p><u>No Deduction</u></p> <ul style="list-style-type: none"> • Income greater than \$55,000 single filers • Income greater than \$75,000 married filers 	<p>Phase-out Based on Modified AGI</p> <p><u>Full Deduction</u></p> <ul style="list-style-type: none"> • Max income \$50,000 single filers • Max income \$100,000 married filers <p><u>Partial Deduction</u></p> <ul style="list-style-type: none"> • Income \$50,001-\$65,000 single filers • Income \$100,001-\$130,000 married filers <p><u>No Deduction</u></p> <ul style="list-style-type: none"> • Income greater than \$65,000 single filers • Income greater than \$130,000 married filers

Free Credit Reports

Under the Fair and Accurate Credit Transactions Act of 2003, known as the “FACT Act,” consumers benefit from new protections against identity theft, as well as the opportunity to receive free credit reports once a year from the newly established Annual Credit Report Request Service. This centralized credit reporting service is the only one authorized by Equifax, Experian and TransUnion to provide free credit reports to consumers.

This service is being made available in phases, with the first phase being launched on December 1, 2004, for the western states (AK, AZ, CA, CO, HI, ID, MT, NV, NM, OR, UT, WA, WY). The subsequent launch dates are: March 1, 2005 for the midwestern states (IA, IL, IN, KS, MI, MN, MO, NE, ND, OH, SD, WI); June 1, 2005 for the southern states (AL, AR, FL, GA, KY, LA, MS, OK, SC, TN, TX); and September 1, 2005 for the eastern states (CT, DC, DE, MA, MD, ME, NC, NH, NJ, NY, PA, RI, VA, VT, WV) and U.S. territories.

To make it easier for consumers to request and receive these free credit reports, the service has established a Web site: www.annualcreditreport.com. Consumers can request, view and print one, two or all three free credit reports via this secure Web site.

Consumers can also request their free credit reports from this service:

- By phone at (877) 322-8228 or
- By written request mailed to: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281

The Federal Trade Commission provides more information on how to access these free credit reports at www.ftc.gov.